

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-02
PRS-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00
XMB-04 OPIC-06 LAB-04 SIL-01 /109 W
-----261838Z 127530 /53

R 261718Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7711
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FRANKFURT

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DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 25)

REF.: MOSCOW 5073, BONN 6756

1. FEDERAL RAILWAY BOND ISSUE:
ON APRIL 28 THE FEDERAL RAILWAYS WILL OFFER A DM 700
MILLION LOAN. IN VIEW OF THE FAVORABLE MARKET CON-
DITIONS THE COUPON OF THE LOAN WAS FIXED AT 6.5 PERCENT
(ISSUE PRICE 100, MATURITY 12 YEARS). THE LAST FEDERAL
LOAN, A DM 850 MILLION LOAN OFFERED ON APRIL 4, WAS
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SOLD AT A COUPON OF 6.75 PERCENT, AN ISSUE PRICE OF
99 1/2 AND A MATURITY OF 10 YEARS RESULTING IN A 6.82
PERCENT YIELD TO MATURITY. DM 500 MILLION OF THE
RAILWAY LOAN WILL BE PUBLICLY OFFERED, DM 50 MILLION
WILL BE TAKEN OVER BY THE DEUTSCHE VERKEHRS-KREDIT-
BANK, THE HOUSEBANK OF THE FEDERAL RAILWAYS, AND DM 150
MILLION WILL BE RESERVED FOR PRICE SUPPORTING

OPERATIONS OF THE BUNDESBANK.

2. TAX REVENUES RISING RAPIDLY:

FEDERAL AND STATE TAX REVENUES SO FAR THIS YEAR HAVE BEEN RISING CONSIDERABLY FASTER THAN PREVIOUSLY ANTICIPATED. IN LATE DECEMBER 1976, OFFICIAL TAX REVENUE ESTIMATES FOR 1977 PLACED PROBABLE GROWTH AT 9.8 PERCENT. DURING THE FIRST QUARTER 1977, HOWEVER, TAX REVENUES WERE 13.4 PERCENT HIGHER THAN A YEAR AGO AND IN MARCH ALONE THE YEAR-TO-YEAR RISE CAME TO AS MUCH AS 16.1 PERCENT. ACCORDING TO FINANCE MINISTRY, THIS DEVELOPMENT REFLECTS RISING WAGES, DECLINING UNEMPLOYMENT AND IMPROVED PROFITS, AS WELL AS THE UPPING OF THE ALCOHOL AND TOBACCO TAX RATES EFFECTIVE JANUARY 1, 1977.

3. FOREIGN EXCHANGE MARKET:

IN CALM TRADING THE DOLLAR STRENGTHENED SLIGHTLY ON GERMAN FOREX MARKETS DURING THE PAST WEEK. FRANKFURT SPOT AND FORWARD DOLLAR RATES FOR THE PERIOD UNDER REVIEW WERE AS FOLLOWS:

	FORWARD DOLLARS				
	SPOT DOLLARS		(IN PCT. PER ANNUM)		
	OPENING	FIXING	CLOSING	ONE-MONTH	THREE-MONTH
APR 19	2.3655	2.3640	2.3655	-0.9	-0.8
20	2.3696	2.3724	2.3740	-0.3	-0.8
21	2.3725	2.3704	2.3715	-0.6	-0.9
22	2.3727	2.3723	2.3720	-0.4	-0.8

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25	2.3690	2.3671	2.3684	-0.8	-0.8
26	2.3710	2.3707	N.A.	N.A.	N.A.

4. MONEY MARKET:

DURING THE PERIOD UNDER REVIEW, FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY			ONE-MONTH	THREE-MONTH
APR 19	4.4	4.5	4.50	4.60	
20	4.4	4.6	4.50	4.60	
21	4.4	4.6	4.50	4.60	

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22	4.4-4.6	4.55	4.65
25	4.4-4.6	4.55	4.65

5. COMMERZBANK REDUCES LENDING RATE:
FOLLOWING THE GENERAL REDUCTION IN INTEREST RATES ON
SAVINGS DEPOSITS (SEE BONN 6756) THE COMMERZBANK HAS
BECOME THE FIRST MAJOR BANK TO REDUCE INTEREST RATES
ON CREDITS TO INDIVIDUALS. THE REDUCTION AMOUNTS TO
ABOUT ONE QUARTER TO ONE HALF OF A PERCENTAGE POINT.
IT IS EXPECTED THAT MOST OTHER BANKS WILL FOLLOW THIS
ACTION.

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6. DM 2.5 BILLION CREDIT TO SOVIET UNION:
ACCORDING TO THE FINANCIAL PRESS, ON APRIL 25 THE
DRESDNER BANK AND THE WESTDEUTSCHE LANDESBANK FINALIZED
THE CONTRACT ON A DM 2.5 BILLION CREDIT LINE FOR THE

SOVIET UNION (SEE MOSCOW 5073). DM 1.4 BILLION OF THE CREDIT WILL BE PROVIDED BY THE DRESDNER BANK WITH THE REMAINING DM 1.1 BILLION FROM THE WESTDEUTSCHE LANDESBANK. THE CREDIT WILL BE DISBURSED OVER A PERIOD OF ABOUT TWO YEARS IN TRANCHES OF DM 100 - 140 MILLION. THE CONTRACT ON THE DISBURSEMENT OF A FIRST TRANCHE OF DM 140 MILLION HAS ALREADY BEEN SIGNED. ACCORDING TO PRESS ACCOUNTS, THE CREDIT WILL BE USED TO FINANCE THE CONSTRUCTION OF TWO CHEMICAL FIBRE FACTORIES IN THE USSR. ONE WILL BE BUILT BY THE KRUPP-KOPPERS GMBH., THE OTHER BY THE FRIEDRICH UHDE GMBH., A SUBSIDIARY OF THE CHEMICAL CONCERN HOECHST. AS USUAL IN LARGE CREDIT ARRANGEMENTS WITH THE SOVIET BLOC DETAILS ON INTEREST RATES, MATURITIES AND OTHER CREDIT TERMS HAVE NOT BEEN MADE PUBLIC.

7. BUNDESBANK FOREIGN POSITION:

DURING THE PERIOD APRIL 8-15 THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 0.4 BILLION TO DM 85.7 BILLION. FOREIGN EXCHANGE HOLDINGS INCREASED BY DM 3 MILLION, LIABILITIES AGAINST THE EUROPEAN FUND FOR MONETARY COOPERATION BY DM 141 MILLION AND OTHER FOREIGN LIABILITIES BY ABOUT DM 260 MILLION.

8. BANK LIQUIDITY:

DURING THE SAME PERIOD BANK LIQUIDITY DECLINED BY DM 0.7 BILLION. FACTORS REDUCING LIQUIDITY WERE A DM 2.5 BILLION INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK, DM 0.5 BILLION OF BUNDESBANK SALES OF MONEY MARKET PAPER, THE ABOVE-MENTIONED DECREASE IN THE BUNDESBANK'S FOREIGN POSITION AND A DM 0.2 BILLION INCREASE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK. UNCLASSIFIED

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THE ONLY MAJOR FACTOR INCREASING LIQUIDITY WAS THE USUAL DECLINE IN CURRENCY IN CIRCULATION IN THE SECOND WEEK OF A MONTH (DM 1.7 BILLION). OTHER FACTORS INCREASED LIQUIDITY BY DM 1.2 BILLION, NET.

THE BANKS FINANCED THE LIQUIDITY LOSS THROUGH INCREASING BORROWINGS UNDER THE SPECIAL REDISCOUNT FACILITY OF DM 0.9 BILLION AND BY ADDITIONAL LOMBARD BORROWINGS OF DM 0.1 BILLION. AT THE SAME TIME, BANK'S REDUCED NORMAL REDISCOUNT BORROWINGS BY DM 0.3 BILLION. ON APRIL 15, THE BANKS' REDISCOUNT BORROWINGS AMOUNTED TO DM 17.6 BILLION, LOMBARD BORROWINGS TO DM 1.0 BILLION, AND BORROWINGS UNDER THE SPECIAL REDISCOUNT FACILITY TO DM 3.4 BILLION. THUS, ON APRIL 15, THE BANKS' TOTAL CENTRAL BANK INDEBTEDNESS AMOUNTED TO DM 22.0 BILLION.

9. BOND MARKET:

ON THE MARKET FOR DOMESTIC BONDS PRICES CONTINUED TO INCREASE WITH THE EXCEPTION OF BONDS WITH REMAINING MATURITIES OF FROM ONE TO THREE YEARS. PRICES OF SUCH BONDS REMAINED UNCHANGED OR EVEN DECLINED SLIGHTLY. ACCORDING TO THE PRESS, AVERAGE CURRENT YIELDS ON DOMESTIC BONDS BROKEN DOWN BY REMAINING MATURITY ARE AS FOLLOWS:

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REMAINING MATURITY

(YEARS) 1 3 5 7 9 10

YIELD TO MATURITY

APRIL 22 4.75 5.55 5.90 6.20 6.45 6.55
APRIL 15 4.75 5.50 6.10 6.30 6.50 6.60

10. FOREIGN DM BONDS:

ON THE MARKET FOR FOREIGN DM BONDS THE FOLLOWING LOANS
ARE CURRENTLY BEING OFFERED:

NEW ZEALAND: DM 200 MILLION, COUPON 6 1/4 PERCENT,
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ISSUE PRICE 99 1/2, MATURITY 7 YEARS;
NORWEGIAN HYPOTHEKENFORENING FOR NAERINGSLIVET (MORTGAGE
BANK): DM 50 MILLION, 7 1/4 PERCENT, 100 1/2, 10 YEARS;
UNITED ARAB EMIRATES: DM 100 MILLION (PRIVATE PLACEMENT),
6 3/4 PERCENT, 100 1/2, 5 YEARS;
IBRD: DM 400 MILLION (PUBLICLY OFFERED), 6 1/2 PERCENT,
ABOUT 99, 10 YEARS; DM 100 MILLION (PRIVATE PLACEMENT),
6 1/2 PERCENT, ABOUT 99 1/2, 8 YEARS.

11. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

THE NUMBER OF NEWLY-LICENSED PASSENGER CARS (NON-SEASON-
ALLY ADJUSTED) JUMPED FROM 208,641 IN FEBRUARY TO
309,143 IN MARCH, A NEW RECORD; THE RATE OF INCREASE
OVER COMPARABLE 1976 LEVELS ROSE FROM 7.2 PERCENT IN
FEBRUARY TO 13.9 PERCENT IN MARCH. THE INDEX OF
INDUSTRIAL PRODUCER PRICES FOR DOMESTIC MARKETS (NON-
SEASONALLY ADJUSTED) INCREASED BY 0.3 PERCENT IN MARCH;
HOWEVER, THE RATE OF INCREASE OVER COMPARABLE 1976
LEVELS, WHICH HAD DROPPED FROM 4.2 PERCENT IN JANUARY TO
3.8 PERCENT IN FEBRUARY, DECLINED FURTHER TO 3.7 PERCENT
IN MARCH. ACCORDING TO PRELIMINARY ESTIMATES OF THE
FEDERAL STATISTICAL OFFICE, RETAIL SALES IN FEBRUARY
(NON-SEASONALLY ADJUSTED) EXCEEDED LAST YEAR'S FEBRUARY
RESULTS BY 4 PERCENT IN CURRENT PRICES AND BY 1 PERCENT
IN TERMS OF CONSTANT (1970) PRICES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BONDS, ECONOMIC DEVELOPMENT, RAILROADS, LOANS, ECONOMIC REPORTS, INTEREST RATES
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN07166
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770145-0537
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770420/aaaaaqwv.tel
Line Count: 315
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:08 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:06 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d418969f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
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Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 MOSCOW 5, 77 BONN 6756
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2698646
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 25)
TAGS: EFIN, GE
To: STATE TRSY
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/d418969f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
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EO Systematic Review
22 May 2009
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